



Mississippi Department of Rehabilitation Services

Providing the freedom to live

March 11, 2004

Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39205-0956

Dear Mr. Bryant:

The Mississippi Department of Rehabilitation Services is pleased to respond to the following Single Audit Finding resulting from the audit performed by your office for State Fiscal Year 2003.

AUDIT FINDING:

84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States

REPORTING

03-13 Internal Controls over Reporting Should be Strengthened

Response:

We concur with the auditors finding in that the RSA-2 was overstated due to an error in reporting our unliquidated obligations; however, we do not concur with the auditor's judgement of classifying this finding as a Reportable Condition. Under the auditor's definition of a reportable condition, it is defined as "...matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance...". The overstatement noted by auditors occurred due to a miscommunication between our Finance department and our Information Systems (MIS) department. The RSA-2 is an annual report which breaks out expenditures for a federal fiscal year by categories of service types. In order to obtain expenditures by these categories we must rely on our automated case service system, or AACE. When requesting unliquidated obligations, Finance staff requested those authorizations which were issued prior to October 1, 2003 but were paid subsequent to October 1. However, due to a miscommunication between Finance and MIS staff, the report was generated which documented all authorizations paid after October 1, 2003 regardless of the authorization date. This error was not detected by our Finance staff in review of the RSA-2. Therefore, based on this miscommunication we considered this

incident as an isolated incident and not a significant deficiency in our internal controls structure. In addition, it should be noted that we are also required to complete quarterly reports, known as the Financial Status 269 reports, for which our federal grantor evaluates our expenditures associated with this program and for which the auditors noted no problems in the accuracy or the internal control structures over these quarterly reports.

Corrective Action Plan.

As stated in the "Response" above, we do concur with the auditor's finding in that the RSA-2 was incorrectly stated due to an overstatement of unliquidated obligations and therefore we have implemented the following corrective action:

- A meeting was held between the Director of Financial Management and the VR Finance Director in which to discuss the overstatement of unliquidated obligations.
- Also, information requested for the preparation of the RSA-2 is now performed in writing as opposed to verbal as to alleviate any miscommunication that could occur.
- Lastly, those responsible for the review of the RSA-2 have been instructed to spend additional time in review of this report as to ensure its total accuracy.

We appreciate the assistance and the professional attitude of the field audit staff assigned to the MS Department of Rehabilitation Services during our fiscal year 2003 audit. Should you have any questions or require additional information regarding our response to the finding above, please contact Chris Howard, Director of Financial Management, at 853-5220.

Sincerely,

A handwritten signature in dark ink, appearing to read "H.S. McMillan", followed by the letters "C.D.A." in a smaller, less distinct script.

H.S. McMillan
Executive Director

pc: Chris Howard



**Mississippi Department of
Rehabilitation Services**

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March 1, 2004

Other Audit Findings

Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39205-0956

Dear Mr. Bryant:

The Mississippi Department of Rehabilitation Services is pleased to respond to the following Other Audit Finding resulting from the audit performed by your office for State Fiscal Year 2003.

AUDIT FINDINGS:

Oth-6 Adequate Supporting Documentation Should Be Maintained for Federal Reports

Response:

MDRS concurs with this finding.

Corrective Action Plan:

Personnel from the Office of Disability Determination have prepared a current time study regarding the number of cases reviewed per hour on average by contract physicians. This time study has been delivered to the Office of Financial Management and is being used in preparing the 2004 quarterly reports.

Should you have any questions regarding this Response or Corrective Action Plan, please feel free to contact Chris Howard, Director of the Office of Financial Management, at 853-5220.

Sincerely,

H.S. McMillan
Executive Director

pc: Chris Howard



Mississippi Department of Rehabilitation Services

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Other Audit Findings

July 23, 2004

Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39205-0956

Dear Mr. Bryant:

The Mississippi Department of Rehabilitation Services is pleased to respond to the following Other Audit Findings resulting from the audit performed by your office for State Fiscal Year 2003.

AUDIT FINDINGS:

Controls over Bank Accounts Should Be Strengthened

Response:

MDRS concurs with this finding. However, we would like to provide the following responses for the first two bullets noted in the auditor's finding:

- The five items noted in OVRB's petty cash account related to funds issued to our Addie McBryde Center (AMC) which were used for client outings/trainings. To support these checks issued, finance personnel maintained copies of requests submitted by AMC staff stating the attendees, date, location, and cost. However, an actual receipt was never obtained after the outing was conducted to further support the cost.
- The two items noted in OVR's petty cash account involved a client outing and a conference registration which was incorrectly made payable to the agency.
 - In the first item, finance personnel maintained a request from program personnel stating the attendees, date, location, and cost of the outing; however, an actual receipt obtained after the client outing occurred was not obtained.
 - In the second item, staff members were correcting an error made by a conference attendee in which the attendee issued a check payable to MDRS as opposed to the national organization sponsoring the conference. To correct this error made by the attendee, staff members deposited the check into our petty cash account and issued a corresponding check to the national organization. Since the check

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issued was to correct an error by a third party and was not related to an expenditure incurred by the agency, no formal documentation could be obtained. We felt that the documentation of the incoming receipt compared to the outgoing check would provide adequate documentation.

Corrective Action Plan:

Our corrective action plan, related to this finding, is broken out into the same five bullets as reported in the auditors' original finding.

- Vocational Rehabilitation for the Blind petty cash account
The Director of the Office of Financial Management and the Director of Vocational Rehabilitation met with various staff members of the Addie McBryde Center (AMC) to discuss the handling of receipts. Staff members were instructed to obtain receipts for all outings whether the funds were expended in total by an AMC employee or individually by the clients. In addition, if an outing is performed at a location to where a receipt cannot be obtained, AMC employees were instructed to prepare a form documenting the location, date, items purchased, and actual cost incurred by the clients. Each respective client would be required to sign the form.
- Vocational Rehabilitation petty cash account
The VR Finance Director will be responsible for reviewing the bank account to ensure proper support is maintained. In regards to the outing noted by the auditors, we will perform the same steps as noted in the first bullet above. In the second item noted by auditors, involving the correction of registration fees made out to the agency as opposed to our national organization, we will document in a memo form as to why a check must be issued in this situation since no formal documentation would be available.
- Business Enterprise Program bank account
Under new procedures, the Business Enterprise Program accounting personnel will submit the bank reconciliation and a copy of the bank statement each month to the Director of Financial Management for final review and approval. Documentation of approval will be reflected by signature on the reconciliation form with the original being maintained by BEP staff and a copy maintained by the Director of Financial Management.
- Collateral Sufficiency Analysis
Collateral Sufficiency Analysis reports will be reconciled to the respective bank statements by a member of our Finance staff and then submitted to the Director of Financial Management for review and maintaining.

- **Business Enterprise Program**

Instruction has been given to Business Enterprise Program finance staff to ensure that checks do not remain outstanding in excess of six months. The Director of Financial Management will verify this procedure during the monthly review of bank reconciliations as stated in the third bullet above.

Property Additions Should Be Reported Timely

Response:

MDRS concurs with the audit finding.

Corrective Action Plan:

The Finance office has strengthened its procedures of reporting new purchases to our Administrative Division in a timely manner. Our new procedures will entail the generating of a monthly equipment report from our accounting system. This system report, along with copies of the payment vouchers and invoices, will be submitted to our Administrative Division by the 5th working day of each month. The system generated report will be used as our check point to ensure our Finance office submits documentation of all equipment purchases made in a given month.

Payments to Vendors Should Be Remitted in Accordance with State Law

Response:

We concur with the auditors' statement in which the three expenditures noted were paid in excess of the forty-five days from the invoice date; however, we feel there were valid reasons as to why two of these items were paid as such.

In the first item, this invoice was related to a software enhancement for our DDS unit's automated system. The vendor invoiced the enhancement at the time the enhancement was put into "test", however the invoice was not processed for payment until our MIS staff tested the software and ensured it worked according to our specifications. We felt this was a good business policy to ensure the respective enhancement worked properly prior to our remitting payment to the vendor. Additionally, the contract issued by ITS with our respective vendor, states that payment will be made upon acceptance by MDRS. We felt that our MIS Director's signature and date on the invoice approving it for payment would have provided adequate documentation of our acceptance.

In the second item, the invoice was paid in excess of the forty-five days due to personnel's questioning of the coverage noted on the invoice as well as a credit to the invoice which we felt should have been applied. This invoice was related to a maintenance agreement for a piece of equipment in our DDS program unit. The vendor incorrectly invoiced the agency for 24/7 coverage as opposed to 8-5 coverage. Vendor later resubmitted the invoice however MIS staff questioned a separate credit which they felt should have been applied. Therefore, staff members held the invoice until questions regarding the credit could be alleviated. Although we could explain the reasoning for the holding of the invoice, staff

members could provide no formal documentation documenting the chain of events.

In the final item, a receiving document was not submitted to our Finance staff in a timely manner which resulted in finance staff's inability to process the respective invoice within the forty five day requirement.

Corrective Action Plan:

In the first item, we have contacted ITS regarding the language in the respective contract. We will further inquire with ITS to determine if an amendment should be made stating that invoices be issued upon acceptance of the project by MDRS. This amended language will coincide with the original language stating that payment will not be made until such acceptance. Additionally, MIS staff are in the process of designing a form which will be used to document acceptance of the respective enhancements.

In the second item, we felt this was a good business practice not to pay an invoice until we could assure ourselves the amount was correct. However, to ensure that we properly document this in the future, directors have been instructed to report on the invoice any reasons why an invoice may be delayed for payment.

In the final item, an email was sent to all agency personnel documenting the importance of submitting receiving documents in a timely manner. In addition, finance staff have been instructed to record on any respective invoice awaiting a receiving document, the dates and times that program staff have been contacted regarding late receiving reports. In addition, after two correspondence or 20 days of receipt of invoice, whichever comes first, if the receiving document has still not been submitted, finance staff have been instructed to submit the respective invoices to the Director of Financial Management at which time he will contact the necessary personnel to obtain such receiving documents.

Should you have any questions regarding the Responses or Corrective Action Plans, please feel free to contact Chris Howard, Director of the Office of Financial Management, at 853-5220.

Sincerely,



H.S. McMillan
Executive Director

pc: Chris Howard